

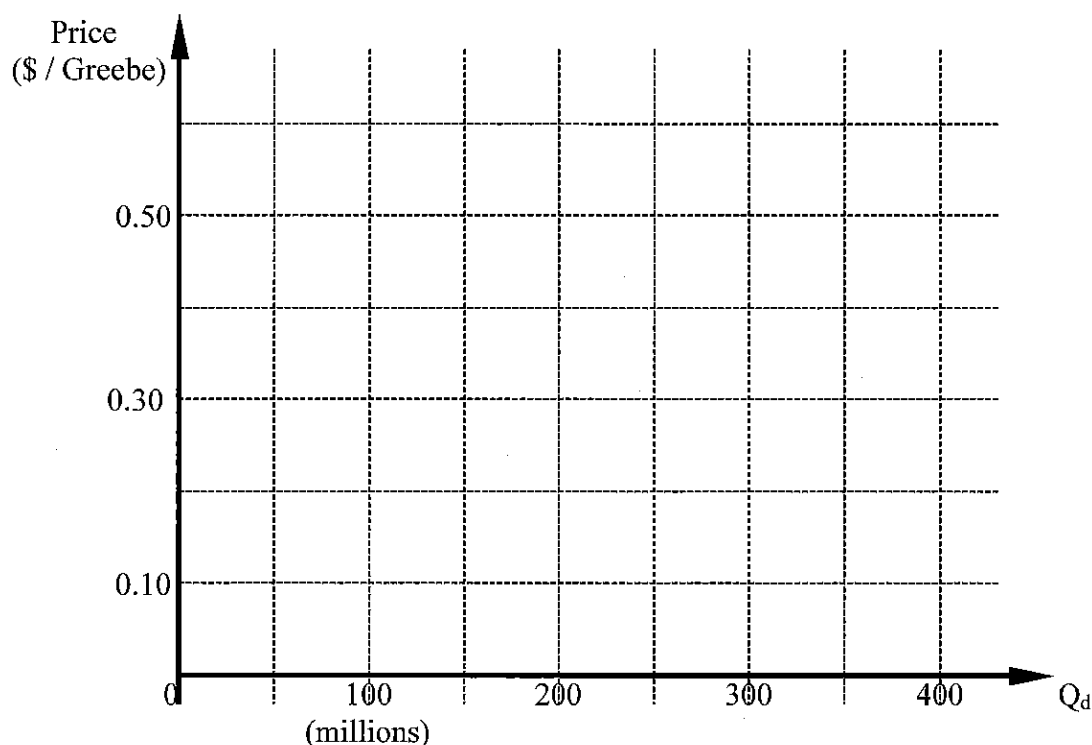
Worksheet - Supply and Demand

PRINT YOUR NAME _____
(LAST) (FIRST)

Demand

Below is a table showing the market demand for greebes, a hypothetical product introduced to spare you the confusion of real world associations. Study the data in the table, and plot the demand for greebes on the axes provided below. Label the demand curve “D,” and answer the questions on the following pages.

	Demand for Greebes						
Price \$/Greebe	\$0.10	\$0.15	\$0.20	\$0.25	\$0.30	\$0.35	\$0.40
Q _d (millions)	350	300	250	200	150	100	50



The data for demand curve “D” indicate that at a price of \$0.30 per greebe, buyers would be willing to buy _____ million greebes. Other things constant, if the price of greebes increased to \$0.40 per greebe, buyers would be willing to buy _____ million greebes. Such a change would be called a(n) (increase / decrease) in (demand / quantity demanded). Other things constant, if the price of greebes decreased to \$0.20, buyers would be willing to buy _____ million greebes. Such a change would be called a(n) (increase / decrease) in (demand / quantity demanded).

The data for demand curve “D” indicate that for a quantity of 150 million greebes, buyers would be willing to offer a maximum “demand price” of \$_____ per greebe. Other things constant, if the quantity of greebes were increased to 250 million greebes, buyers would be willing to offer a maximum price of \$_____ per greebe.

Now let's suppose that a dramatic increase in Federal income tax rates reduces the disposable income of greebe buyers. This change in the **ceteris paribus** conditions underlying the original demand for greebes will result in a decrease in demand, and we would have a new set of data such as that shown in the following table. Study the data in the new table, and plot the new demand curve for greebes on the diagram on page one. Label the new demand curve "D₁" and then answer the questions below.

Decrease in the Demand for Greebes	
Price \$ / Greebe	Quantity Demanded (Millions)
\$0.05	300
\$0.10	250
\$0.15	200
\$0.20	150
\$0.25	100
\$0.30	50

Comparing the new demand curve (D₁) with the old demand curve (D), we can say that a decrease in the demand for greebes results in a shift of the demand curve to the (right / left). Such a shift indicates that at each of the possible prices shown, buyers are now willing to buy a (smaller / larger) quantity, and at each of the possible quantities shown, buyers are willing to offer a (higher / lower) maximum price.

Now, let's suppose there is a dramatic increase in people's "taste" for greebes. This change in the **ceteris paribus** conditions underlying the original demand for greebes will result in an increase in demand, and we would have a new set of data such as that shown on the following table. Study the data in the new table, and plot this demand for greebes on the diagram on page one. Label the new demand curve "D₂" and answer the questions below.

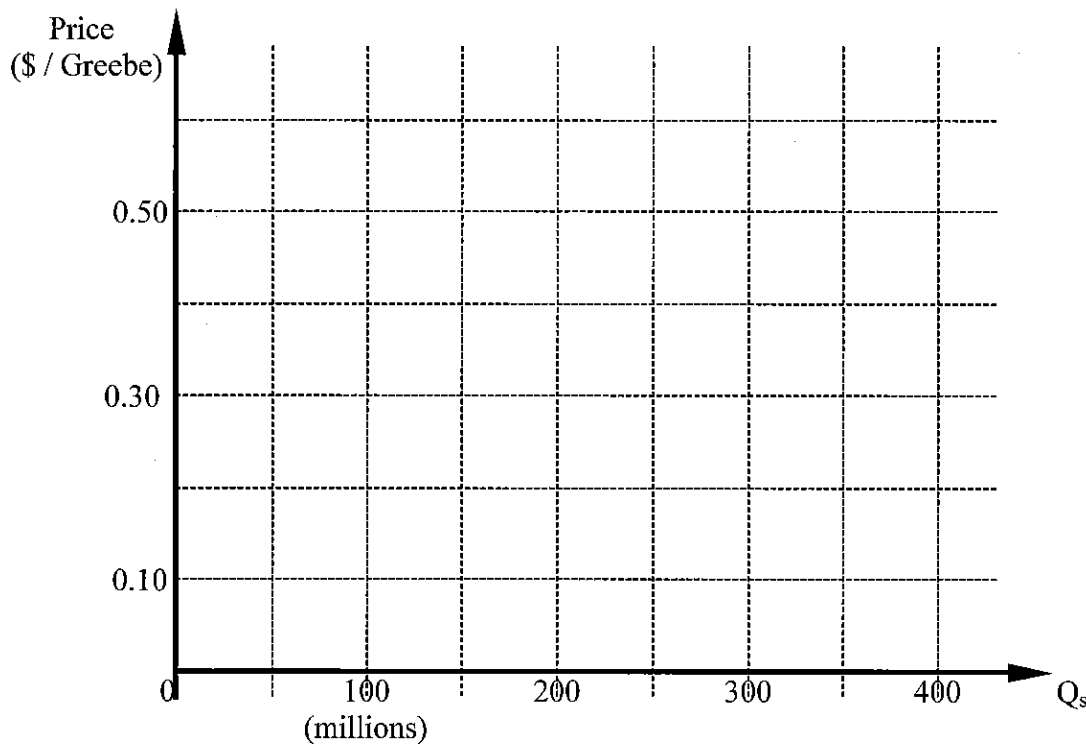
Increase in the Demand for Greebes	
Price \$ / Greebe	Quantity Demanded (Millions)
\$0.20	350
\$0.25	300
\$0.30	250
\$0.35	200
\$0.40	150
\$0.45	100
\$0.50	50

Comparing the new demand curve (D₂) with the original demand curve (D), we can say that an increase in the demand for greebes results in a shift of the demand curve to the (right / left). Such a shift indicates that at each of the possible prices shown, buyers are now willing to buy a (smaller / larger) quantity, and at each of the possible quantities shown, buyers are willing to offer a (higher / lower) maximum price.

Supply

In this homework problem, and those that follow, we will assume that the long run supply curve for greebes is “upward sloping.” Study the data in the table below, and plot the supply for greebes on the axes provided. Label the supply curve “S,” and answer the questions on the following pages.

Supply of Greebes					
Price \$/Greebe	\$0.15	\$0.20	\$0.25	\$0.30	\$0.35
Q_s (millions)	100	150	200	250	300



The data for supply curve “S” indicates that at a price of \$0.25 per greebe suppliers would be willing to offer _____ million greebes. Other things constant, if the price of greebes increased to \$0.30 per greebe, suppliers would be willing to offer _____ million greebes. Such a change would be a(n) (increase / decrease) in (supply / quantity supplied). Other things constant, if the price of greebes decreased to \$0.20 per greebe, suppliers would be willing to offer _____ million greebes. Such a change would be called a(n) (increase / decrease) in (supply / quantity supplied).

The data for supply curve “S” indicates that for a quantity of 200 million greebes, the minimum price acceptable to suppliers is \$_____ per greebe. Other things constant, if the quantity of greebes increased to 250 million greebes, the minimum acceptable price would be \$_____ per greebe.

Now let's suppose that there is a dramatic increase in the price of several of the raw materials used in making greebes. This change in the **ceteris paribus** conditions underlying the original supply of greebes will result in an increase in marginal cost and a decrease in supply, and we would have a new set of data such as that shown in the following table. Study the data in the new table, and plot this supply of greebes on the graph on page five. Label the new supply curve " S_1 " and answer the questions below.

Decrease in the Supply of Greebes	
Price (\$ / Greebe)	Quantity Supplied (Millions)
\$0.20	50
\$0.25	100
\$0.30	150
\$0.35	200
\$0.40	250

Comparing the new supply curve (S_1) with the old supply curve (S), we can say that a decrease in the supply of greebes results in a shift of the supply curve to the (right / left). Such a shift indicates that at each of the possible prices shown, suppliers are now willing to offer a (smaller / larger) quantity, and at each of the possible quantities shown, suppliers require a (higher / lower) minimum price.

Now, to take another example, let's suppose that there is a dramatic decrease in the price of several of the raw materials used in making greebes. This change in the **ceteris paribus** conditions underlying the original supply of greebes will result in a decrease in marginal cost and an increase in supply, and we would have a new set of data such as that shown in the following table. Study the data in the new table, and plot this supply of greebes on the graph on page five. Label the new supply curve " S_2 " and answer the questions below.

Increase in the Supply of Greebes	
Price (\$ / Greebe)	Quantity Supplied (Millions)
\$0.10	150
\$0.15	200
\$0.20	250
\$0.25	300
\$0.30	350

Comparing the new supply curve (S_2) with the original supply curve (S), we can say that an increase in the supply of greebes results in a shift of the supply curve to the (right / left). Such a shift indicates that at each of the possible prices shown, suppliers are now willing to offer a (smaller / larger) quantity, and at each of the possible quantities shown, suppliers require a (higher / lower) minimum price.